

SHELBY COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2015

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# Shelby County

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2015)		
Roger Schmitz	Board of Supervisors	January, 2015
Steve Kenkel	Board of Supervisors	January, 2017
Charles Parkhurst	Board of Supervisors	January, 2017
Marsha Carter	County Auditor	January, 2017
Carolyn Blum	County Treasurer	January, 2015
Linda Fahn	County Recorder	January, 2015
Mark Hervey	County Sheriff	January, 2017
Marcus Gross	County Attorney	January, 2015
Tony Buman	County Assessor	January, 2016
(After January, 2015)		
Roger Schmitz	Board of Supervisors	January, 2019
Steve Kenkel	Board of Supervisors	January, 2017
Charles Parkhurst	Board of Supervisors	January, 2017
Marsha Carter	County Auditor	January, 2017
Carolyn Blum	County Treasurer	January, 2019
Geralyn Greer	County Recorder	January, 2019
Mark Hervey	County Sheriff	January, 2017
Marcus Gross	County Attorney	January, 2019
Tony Buman	County Assessor	January, 2022

# Gronewold, Bell, Kyhnn & Co. P.C.

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## INDEPENDENT AUDITOR'S REPORT

To the Officials of Shelby County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Iowa as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Officials of Shelby County

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Qualified Opinions**

The financial statements do not include an estimate of an Other Post Employment Benefits (OPEB) liability for an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring after age 55 to remain on the County's healthcare plan until age 65. Accounting principles generally accepted in the United States of America require that any material liability resulting from this OPEB requirement be included in the financial statements (Note 10).

### **Qualified Opinions**

In our opinion, except for the effect of not including an estimated OPEB liability for the implicit health insurance premium rate subsidy, as discussed in the previous section, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County as of June 30, 2015 and the respective changes in its financial position, and its cash flows where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 14 to the financial statements, Shelby County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions on pages 3 through 3f and on pages 37 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Officials of Shelby County

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2014 (which are not presented herein) and expressed unmodified and qualified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2009 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2015 on our consideration of Shelby County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shelby County's internal control over financial reporting and compliance.

*Gunnwald, Ross, Kyhn + Co. P. C.*

Atlantic, Iowa  
December 29, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shelby County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 7.2%, or approximately \$933,000, from Fiscal 2014 to Fiscal 2015. Property and other County Taxes and Local Option Sales Tax increased approximately \$26,000. Operating Grants and Contributions decreased approximately \$429,000, and Capital Grants and Contributions decreased by approximately \$840,000.
- Program expenses of the County's governmental activities were 3.5%, or approximately \$419,000, less in Fiscal 2015 than in Fiscal 2014. Physical Health and Social Services decreased \$147,000, Mental Health decreased \$491,000, Roads and Transportation increased \$585,000, and Administration decreased \$453,000. All other service areas recorded small changes: County Environment and Education - \$(3,000); and Government Services to Residents - \$(27,000).
- The County's net position decreased 8.3%, or approximately \$2,009,000, from June 30, 2014 to June 30, 2015. See 3b for explanation of July 1, 2014 decrease.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Shelby County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Shelby County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Shelby County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets, liabilities, and deferred inflows of resources, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a statement of net position and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharge, emergency management services, empowerment and the County Assessor, to name a few.



The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Shelby County's combined net position decreased from \$24.32 million to \$22.31 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)			
		June 30,	
		2014	
		Not Restated	2015
Current and Other Assets	\$	10,868	\$ 11,300
Capital Assets		21,020	20,960
Total Assets		31,888	32,260
Deferred Outflows of Resources		--	387
Long-Term Liabilities		590	2,502
Other Liabilities		1,041	606
Total Liabilities		1,631	3,108
Deferred Inflows of Resources		5,941	7,232
Net Position:			
Net Investment in Capital Assets		21,020	20,960
Restricted		1,989	2,721
Unrestricted		1,307	( 1,374)
Total Net Position	\$	24,316	\$ 22,307

Net position of Shelby County's governmental activities decreased approximately \$2,009,000, or 8.3% during the year. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets, since they are unavailable for future spending. Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from approximately \$1,307,100 at June 30, 2014 to approximately (\$1,374,000) at the end of this year.

This decrease of approximately \$2,681,000 in unrestricted net position was a result of the required change in the method of accounting for the County's pension costs during the 2014-15 year. The County's investment in capital assets, net of related debt, decreased by approximately \$60,000 from the prior year. Additions to the County's capital assets totaled approximately \$1,485,000. Depreciation expense totaled approximately \$1,431,000 for FY 2015.

Changes in Net Position of Governmental Activities (Expressed in Thousands)			
		Year Ended June 30,	
		2014	
		Not Restated	2015
Revenues			
Program Revenues:			
Charges for Services	\$	509	\$ 928
Operating Grants, Contributions, and Restricted Interest		4,346	3,917
Capital Grants, Contributions, and Restricted Interest		1,353	513
General Revenues:			
Property and Other County Tax		6,226	6,252
Tax Increment Financing		153	31
Penalty and Interest on Property Tax		34	30
State Tax Credits		331	359
Unrestricted Investment Earnings		90	79
Total Revenues		13,042	12,109
Program Expenses			
Public Safety and Legal Services		2,129	2,246
Physical Health and Social Services		619	472
Mental Health		1,475	984
County Environment and Education		422	419
Roads and Transportation		5,113	5,698
Governmental Services to Residents		451	424
Administration		1,655	1,202
Total Expenses		11,864	11,445
Change in Net Position		1,178	664
Net Position, Beginning of Year, as restated		23,138	21,643
Net Position, End of Year	\$	24,316	\$ 22,307

Revenues of the County's governmental activities decreased 7.2%, or approximately \$933,000, from Fiscal 2014 to Fiscal 2015. Property and other County Taxes increased approximately \$26,000. Operating Grants and Contributions increased approximately \$429,000, and Capital Grants and Contributions decreased by \$840,000.

Fiscal 2015 saw an increase in total taxable valuation of \$32,328,865, which is a 4.42% increase, with the total tax asking increasing by \$1,418, or .02%.

The cost of all governmental activities this year was \$11.4 million, a decrease of \$0.4 million when compared to last year. However, as shown in the Statement of Activities on page 6, the amount taxpayers ultimately financed for these activities was \$6.09 million because some of the cost was paid by those directly benefited from the programs (\$927,900) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,430,200). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased from approximately \$6,207,800 in 2014 to \$5,358,050 in 2015, principally due to the decrease in Capital Grants, Contributions, and Restricted Interest. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,751,300 in property and local option taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Shelby County completed the year, its governmental funds reported a combined fund balance of \$4.11 million, an increase of approximately \$507,700 from last year's total of \$3.60 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Shelby County, ended Fiscal Year 2015 with a fund balance totaling \$1,183,955. This was a decrease from Fiscal Year 2014 of \$245,010.
- The Mental Health Fund balance at year end decreased by \$123,141 from the prior year. The Mental Health fund ended Fiscal Year 2015 with a balance of \$189,482.
- The Rural Services Fund ended Fiscal Year 2015 with a fund balance of \$180,295. This was a decrease from Fiscal Year 2014 of \$22,165.
- The Secondary Roads Fund ended Fiscal Year 2015 with a fund balance of \$1,394,694, up \$265,355 when compared to the ending balance for Fiscal Year 2014. The County continues to work for Federal and State grants and shared funding projects, such as FEMA, EWP, etc., to help offset the maintenance costs to local taxpayers.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following a required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Shelby County amended its budget May 26, 2015 by \$1,170,711. The majority of the budget increases were in the Public Safety and Legal Services (\$488,000); Roads and Transportation (\$150,000), Mental Health (\$400,000), County Environment and Education (\$33,000), and Capital Projects (\$123,211) functions.

The County's total receipts of \$11,741,598 were \$648,097 more than budgeted. The County's total disbursements of \$11,537,452 were \$1,095,593 less than budgeted.

The County exceeded the budgeted amount in the administration and road and transportation functions.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, Shelby County had approximately \$21.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is an approximate \$1.0 million decrease (including additions and deletions) from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30	
	2014	2015
Land	\$ 331	\$ 331
Construction in Progress	568	581
Buildings and Improvements	2,366	2,279
Equipment and Vehicles	2,922	3,078
Infrastructure	14,833	14,691
Total	\$ 21,020	\$ 20,960

The County had depreciation expense of \$1,431,342 in Fiscal 2015 and total accumulated depreciation of \$11,859,813 at June 30, 2015. The County's Fiscal Year 2015 capital budget included \$805,000 for capital projects, principally for bridge construction. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### Long-Term Debt

At June 30, 2015, Shelby County had \$ - 0 - in general obligation notes outstanding, the same as June 30, 2014.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the 1-1-2013 assessed value of all taxable property in the County. Shelby County's constitutional debt limit is approximately \$38.5 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Shelby County's elected and appointed officials and citizens considered many factors when setting the Fiscal Year 2016 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. In December of 2015, the County's unemployment was at 2.9% versus 3.0% a year ago. This compared with the State's unemployment rate of 3.5% and the national rate of 5.3%.

The union contracts will expire June 30, 2016. The County will begin negotiating with all three unions in the fall of 2015.

All the different variables were taken into account when adopting the Fiscal Year 2016 Budget. General Fund property taxes were decreased this year by \$75,814 (-2%), but Rural Fund property taxes were increased by \$300,000 (+3.7%). \$215,000 of this increase will pay the County's portion of Secondary Road FICA & IPERS to free up more money to use for road maintenance. The County's tax asking over the last 10 years has averaged +2.9%. Not including property tax revenue, budgeted revenues for the General and Rural Services Funds remained approximately the same. Expected revenues from Local Option Sales Tax, Licenses & Permits, Charges for Services and Use of Money and Property were estimated at the same level. As the County continues to try to hold the line on spending, budgeted expenditures in the General and Rural Services Funds stayed level, including increases in wages and benefits. The County is still deficit spending out of the General Fund. Over the next few years the County will work towards stabilizing that reserve to enable the County to cover any unforeseen expenditures. The final Fiscal Year 2016 Budget was adopted with a total tax rate increase of \$0.33 per \$1,000 of taxable valuation and a total tax asking increase of \$224,186.

The Board of Supervisors sets aside money each year for maintenance of the Courthouse and the other County Office buildings. As carpet in the various offices is due to be replaced, tile is being installed where feasible because it is a long term solution. The Board continues to contract almost every year for tuckpointing and stone replacement on the Courthouse. Over the last couple of years, the Courthouse has had some major sewer problems. Over the next 2-5 years, the County will be budgeting money to replace all the cast iron pipes under and outside the Courthouse. Current estimates are \$50-75,000 to complete this project. For additional security, a key card access system was implemented for the Courthouse employees at a cost of \$11,659. This system is similar to one implemented in the 911/Law Enforcement building a couple of years ago. A camera monitoring system is scheduled to be installed in the Courthouse during FY2016.

The County continues to work on our declining bridge system, using whatever State and Federal funding is available. In 2015, two major bridges were replaced – a 100' bridge on Linden Road and a 165' bridge on 1400<sup>th</sup> St at a total cost of approximately \$1,000,000.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Shelby County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marsha J. Carter, Shelby County Auditor, 612 Court St., Harlan, Iowa 51537-0650.

Shelby County  
Statement of Net Position  
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,025,826
Receivables:	
Property tax:	
Delinquent	1,559
Succeeding year	6,273,000
Interest and penalty on property tax	2,863
Accounts	12,586
Accrued interest	899
Due from other governments	143,223
Prepaid insurance	43,517
Inventories	796,352
Capital assets (net of accumulated depreciation)	20,960,036
Total assets	<u>32,259,861</u>
Deferred Outflows of Resources	
Pension related deferred outflows	386,561
Liabilities	
Accounts payable	449,492
Salaries and benefits payable	93,846
Due to other funds	33,495
Due to other governments	29,048
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	634,660
Portion due or payable after one year:	
Net pension liability	1,867,194
Total liabilities	<u>3,107,735</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	6,273,000
Pension related deferred inflows	958,644
Total deferred inflows of resources	<u>7,231,644</u>

(continued next page)

Shelby County  
Statement of Net Position - continued  
June 30, 2015

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 20,960,036
Restricted for:	
Rural services purposes	167,529
Mental health purposes	165,807
Secondary roads purposes	1,228,618
Capital projects	571,215
Other purposes	588,036
Unrestricted	<u>( 1,374,198)</u>
Total net position	<u>\$ 22,307,043</u>

See notes to financial statements.

Shelby County  
Statement of Activities  
Year ended June 30, 2015

		<u>Program Revenues</u>
	<u>Expenses</u>	<u>Charges for Service</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 2,245,515	\$ 60,654
Physical health and social services	471,972	21,578
Mental health	984,088	--
County environment and education	418,829	550,905
Roads and transportation	5,698,075	--
Governmental services to residents	424,134	294,729
Administrative services	<u>1,202,378</u>	<u>--</u>
Total	<u>\$ 11,444,991</u>	<u>\$ 927,866</u>
General Revenues:		
Property and other county tax levied for:		
General purposes		
Penalty and interest on property tax		
Local option sales tax		
Tax increment financing		
State tax credits		
Unrestricted investment earnings		
Total general revenues		
Change in net position		
Net position beginning of year, as restated (Note 14)		
Net position end of year		

See notes to financial statements.



<u>Program Revenues</u>		
<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
\$ 113,547	\$ --	\$ ( 2,071,314)
258,603	--	( 191,791)
82,556	--	( 901,532)
115,673	--	247,749
3,197,979	512,887	( 1,987,209)
43,935	--	( 85,470)
<u>105,004</u>	<u>--</u>	<u>( 1,097,374)</u>
<u>\$ 3,917,297</u>	<u>\$ 512,887</u>	<u>( 6,086,941)</u>

5,702,005  
 30,156  
 549,969  
 30,793  
 358,863  
79,490  
6,751,276  
 664,335  
21,642,708  
\$ 22,307,043

Shelby County  
Balance Sheet  
Governmental Funds

June 30, 2015

	<u>General</u>	<u>Special Revenue</u>	
		<u>Rural</u>	<u>Secondary</u>
		<u>Services</u>	<u>Roads</u>
<b>Assets</b>			
Cash and pooled investments	\$ 1,306,254	\$ 142,734	\$ 1,111,600
Receivables:			
Property tax:			
Delinquent	238	162	--
Succeeding year	3,788,000	1,960,000	--
Interest and penalty on property tax	2,863	--	--
Accounts	11,651	--	--
Accrued interest	899	--	--
Due from other funds	26,668	--	2,878
Due from other governments	33,201	37,561	20,928
Inventories	--	--	796,352
Prepaid insurance	43,517	--	--
	<u>5,213,291</u>	<u>2,140,457</u>	<u>1,931,758</u>
Total assets	<u>\$ 5,213,291</u>	<u>\$ 2,140,457</u>	<u>\$ 1,931,758</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 31,824	\$ --	\$ 317,711
Salaries and benefits payable	30,899	--	49,902
Due to other funds	62,986	--	--
Due to other governments	10,385	--	1,374
Compensated absences	102,141	--	168,077
Total liabilities	<u>238,235</u>	<u>--</u>	<u>537,064</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues:			
Succeeding year property tax	3,788,000	1,960,000	--
Other	3,101	162	--
Total deferred inflows of resources	<u>3,791,101</u>	<u>1,960,162</u>	<u>--</u>

(continued next page)

<u>Special Revenue</u>			
<u>Mental Health</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 216,984	\$ 651,955	\$ 596,299	\$ 4,025,826
169	--	990	1,559
387,000	--	138,000	6,273,000
--	--	--	2,863
--	--	935	12,586
--	--	--	899
--	--	311	29,857
16,847	--	34,686	143,223
--	--	--	796,352
<u>--</u>	<u>--</u>	<u>--</u>	<u>43,517</u>
<u>\$ 621,000</u>	<u>\$ 651,955</u>	<u>\$ 771,221</u>	<u>\$ 11,329,682</u>
\$ 739	\$ 80,740	\$ 18,478	\$ 449,492
2,452	--	10,593	93,846
--	--	366	63,352
16,847	--	442	29,048
24,311	--	15,306	309,835
<u>44,349</u>	<u>80,740</u>	<u>45,185</u>	<u>945,573</u>
387,000	--	138,000	6,273,000
<u>169</u>	<u>--</u>	<u>990</u>	<u>4,422</u>
<u>387,169</u>	<u>--</u>	<u>138,990</u>	<u>6,277,422</u>

Shelby County  
Balance Sheet  
Governmental Funds - continued

June 30, 2015

	<u>General</u>	<u>Special Revenue</u>	
		<u>Rural Services</u>	<u>Secondary Roads</u>
Fund balances:			
Nonspendable:			
Inventories	\$       --	\$       --	\$    796,352
Prepaid insurance	43,517	--	--
Restricted for:			
Rural services purposes	--	180,295	--
Secondary roads purposes	--	--	598,342
Mental health purposes	--	--	--
Capital projects purposes	--	--	--
Other purposes	--	--	--
Unassigned	1,140,438	--	--
Total fund balances	<u>1,183,955</u>	<u>180,295</u>	<u>1,394,694</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$   5,213,291</u>	<u>\$   2,140,457</u>	<u>\$   1,931,758</u>

See notes to financial statements.

<u>Special Revenue Mental Health</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 796,352
--	--	--	43,517
--	--	--	180,295
--	--	--	598,342
189,482	--	--	189,482
--	571,215	--	571,215
--	--	587,046	587,046
--	--	--	1,140,438
<u>189,482</u>	<u>571,215</u>	<u>587,046</u>	<u>4,106,687</u>
<u>\$ 621,000</u>	<u>\$ 651,955</u>	<u>\$ 771,221</u>	<u>\$ 11,329,682</u>

## Shelby County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position

June 30, 2015

Total governmental fund balances (page 8)	\$	4,106,687
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$32,819,849 and the accumulated depreciation is \$11,859,813.		20,960,036
Certain assets are not available to pay for current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		4,422
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:		
Deferred outflows of resources	\$	386,561
Deferred inflows of resources	(	958,644)
		( 572,083)
Long-term liabilities, including net pension liability and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		( 2,192,019)
Net position of governmental activities (page 5)	\$	<u>22,307,043</u>

See notes to financial statements.

Shelby County  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Revenues:			
Property and other County tax	\$ 3,546,373	\$ 1,617,176	\$ --
Local option sales tax	183,323	183,323	183,323
Interest and penalty on property tax	28,463	--	--
Intergovernmental	479,858	183,907	3,145,850
Licenses and permits	3,106	--	4,090
Charges for service	303,376	--	--
Use of money and property	79,490	--	--
Miscellaneous	106,196	--	161,227
Total revenues	<u>4,730,185</u>	<u>1,984,406</u>	<u>3,494,490</u>
Expenditures:			
Operating:			
Public safety and legal services	2,260,133	--	--
Physical health and social services	243,868	--	--
Mental health	--	--	--
County environment and education	30,273	140,960	--
Roads and transportation	--	--	4,957,777
Governmental services to residents	409,789	242	--
Administration	1,257,817	--	--
Capital projects	--	--	60,968
Total expenditures	<u>4,201,880</u>	<u>141,202</u>	<u>5,018,745</u>
Excess (deficiency) of revenues over (under) expenditures	<u>528,305</u>	<u>1,843,204</u>	<u>( 1,524,255)</u>

(continued next page)

<u>Special Revenue Mental Health</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 537,858	\$ --	\$ 30,793	\$ 5,732,200
--	--	--	549,969
--	--	--	28,463
103,413	--	503,553	4,416,581
--	--	165,011	172,207
--	--	61,798	365,174
--	--	18	79,508
4,269	43,930	47,612	363,234
<u>645,540</u>	<u>43,930</u>	<u>808,785</u>	<u>11,707,336</u>
--	--	11,075	2,271,208
--	--	225,882	469,750
598,016	--	376,196	974,212
--	--	252,260	423,493
--	--	--	4,957,777
--	--	--	410,031
--	--	6,767	1,264,584
--	367,578	--	428,546
<u>598,016</u>	<u>367,578</u>	<u>872,180</u>	<u>11,199,601</u>
<u>47,524</u>	<u>( 323,648)</u>	<u>( 63,395)</u>	<u>507,735</u>



Shelby County  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds - continued

Year ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u> <u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Other financing sources (uses):			
Operating transfers in	\$ 388,101	\$ --	\$ 1,794,126
Operating transfers out	<u>( 1,161,416)</u>	<u>( 1,865,369)</u>	<u>( 4,516)</u>
Total other financing sources (uses)	<u>( 773,315)</u>	<u>( 1,865,369)</u>	<u>1,789,610</u>
Change in fund balances	( 245,010)	( 22,165)	265,355
Fund balances beginning of year	<u>1,428,965</u>	<u>202,460</u>	<u>1,129,339</u>
Fund balances end of year	<u>\$ 1,183,955</u>	<u>\$ 180,295</u>	<u>\$ 1,394,694</u>

See notes to financial statements.

<u>Special Revenue Mental Health</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ --	\$ 635,810	\$ 575,565	\$ 3,393,602
<u>( 170,665)</u>	<u>--</u>	<u>( 191,636)</u>	<u>( 3,393,602)</u>
<u>( 170,665)</u>	<u>635,810</u>	<u>383,929</u>	<u>--</u>
( 123,141)	312,162	320,534	507,735
<u>312,623</u>	<u>259,053</u>	<u>266,512</u>	<u>3,598,952</u>
<u>\$ 189,482</u>	<u>\$ 571,215</u>	<u>\$ 587,046</u>	<u>\$ 4,106,687</u>

## Shelby County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds to the Statement of Activities

Year ended June 30, 2015

Change in fund balances - Total governmental funds (page 11)	\$ 507,735
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:	
Expenditures for capital assets	\$ 971,893
Capital assets contributed by the Iowa Department of Transportation	512,887
Depreciation expense	<u>( 1,431,342)</u> 53,438
In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.	( 113,188)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:	
Property tax	2,291
The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position	368,756
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:	
Compensated absences	( 19,862)
Pension expense	<u>( 134,835)</u> ( 154,697)
Change in net position of governmental activities (page 6)	<u>\$ 664,335</u>

See notes to financial statements.

Shelby County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2015

## Assets

Cash and pooled investments:	
County Treasurer	\$ 1,819,335
Other County Officials	44,477
Receivables:	
Property tax:	
Delinquent	5,041
Succeeding year	15,436,000
Accounts	3,449
Special assessments	32,750
Due from other funds	60,824
Due from other governments	12,530
Total assets	<u>17,414,406</u>

## Liabilities

Accounts payable	45,108
Salaries and benefits payable	16,861
Due to other funds	27,329
Due to other governments	17,210,107
Trusts payable	9,886
Compensated absences	105,115
Total liabilities	<u>17,414,406</u>

Net position	<u>\$ --</u>
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See notes to financial statements.

## Shelby County

### Notes to Financial Statements

June 30, 2015

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shelby County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Shelby County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Joint E-911 Service Board, Harrison/Monona/Shelby County Empowerment Area and Shelby County Area Solid Waste Agency. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: West Central Iowa Sheltered Workshop (WESCO), Southwest Iowa Planning Council (SWIPCO) and Southwest Iowa Juvenile Detention Center.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.



Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2014.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings, and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Land improvements	10 - 50
Infrastructure	10 - 50
Intangibles	5 - 20
Equipment and vehicles	3 - 20

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Shelby County

Notes to Financial Statements

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours, including employee benefits, for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for amounts paid to employees within sixty days after year end. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Secondary Roads and Conservation Funds.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the administration and roads and transportation functions and disbursements in certain departments exceeded the amounts appropriated.

NOTE 2 - CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit Risk - The County had no investments with credit risk.

Concentration of Credit Risk - The County places no limit on the amount which may be invested in any one issuer.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency:	
	County Sheriff	\$ 11,231
	County Recorder	<u>15,437</u>
		26,668
Special Revenue:		
Secondary Roads	General	2,358
	Special Revenue:	
	Case Management	145
	Environmental Health	221
	Agency:	
	Emergency Management Services	<u>154</u>
		2,878
Special Revenue:	Agency:	
Conservation	County Recorder	115
Agency:	Agency:	
Recorders' Electronic Transfer Fee	County Recorder	196
Agency:		
Emergency Management Services	General	60,628
Special Revenue:	Agency:	
County Recorder's Records Management	County Recorder	<u>196</u>
Total		<u>\$ 90,681</u>

These balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Secondary Roads	\$ 4,516
	Rural Services	200,000
	TIF	<u>183,585</u>
		388,101
Special Revenue:		
Secondary Roads	General	128,757
	Special Revenue:	
	Rural Services	<u>1,665,369</u>
		1,794,126
Special Revenue:	Special Revenue:	
Case Management	Mental Health	170,665
Special Revenue:		
Conservation	General	180,000
Special Revenue:		
TIF	General	199,900
Capital Projects	General	627,759
	Special Revenue:	
	Environmental Health	<u>8,051</u>
		635,810
Special Revenue:		
Environmental Health	General	<u>25,000</u>
		<u>\$ 3,393,602</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 330,775	\$ --	\$ --	\$ 330,775
Construction in progress	<u>567,936</u>	<u>823,791</u>	<u>811,147</u>	<u>580,580</u>
Total capital assets not being depreciated/ amortized	<u>898,711</u>	<u>823,791</u>	<u>811,147</u>	<u>911,355</u>
Capital assets being depreciated/amortized:				
Buildings	4,300,324	26,400	--	4,326,724
Land improvements	63,667	--	--	63,667
Equipment and vehicles	8,234,661	932,849	316,951	8,850,559
Infrastructure, road network	<u>18,154,657</u>	<u>512,887</u>	<u>--</u>	<u>18,667,544</u>
Total capital assets being depreciated/amortized	<u>30,753,309</u>	<u>1,472,136</u>	<u>316,951</u>	<u>31,908,494</u>
Less accumulated depreciation/ amortization for:				
Buildings	1,984,988	110,051	--	2,095,039
Land improvements	12,733	3,184	--	15,917
Equipment and vehicles	5,312,548	663,943	203,763	5,772,728
Infrastructure, road network	<u>3,321,965</u>	<u>654,164</u>	<u>--</u>	<u>3,976,129</u>
Total accumulated depreciation/amortization	<u>10,632,234</u>	<u>1,431,342</u>	<u>203,763</u>	<u>11,859,813</u>
Total capital assets being depreciated/amortized, net	<u>20,121,075</u>	<u>40,794</u>	<u>113,188</u>	<u>20,048,681</u>
Governmental activities capital assets, net	<u>\$ 21,019,786</u>	<u>\$ 864,585</u>	<u>\$ 924,335</u>	<u>\$ 20,960,036</u>

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 5 - CAPITAL ASSETS - continued

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 89,306
Mental health	7,924
County environment and education	17,502
Roads and transportation	1,061,774
Governmental services to residents	15,004
Administrative services	<u>239,832</u>

Total depreciation/amortization expense - governmental activities	<u>\$1,431,342</u>
--	--------------------

NOTE 6 - DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Services	\$ 10,385
Special Revenue:		
Secondary Roads		1,374
Mental Health		16,847
Conservation		327
Case Management		<u>115</u>
		<u>18,663</u>
Total for governmental funds		<u>\$ 29,048</u>
Agency:		
County Assessor	Collections	\$ 680,767
Emergency Management		
Services		297,970
Schools		8,731,196
Community Colleges		863,366
Corporations		4,404,820
Townships		369,544
Auto License and Use Tax		332,811
County Hospital		882,545
E911 Commission		245,852
All Other		<u>401,236</u>
Total for agency funds		<u>\$ 17,210,107</u>



Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	<u>Net Pension Liability</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year, as restated	\$ 3,031,289	\$ 589,758	\$ 3,621,047
Increases	--	44,902	44,902
Decreases	<u>1,164,095</u>	<u>--</u>	<u>1,164,095</u>
Balance end of year	<u>\$ 1,867,194</u>	<u>\$ 634,660</u>	<u>\$ 2,501,854</u>
Due within one year	<u>\$ --</u>	<u>\$ 634,660</u>	<u>\$ 634,660</u>

NOTE 8 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Shelby County  
Notes to Financial Statements

June 30, 2015

NOTE 8 - PENSION PLAN - Continued

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 8 - PENSION PLAN - Continued

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95% of pay and the County contributed 8.93% for a total rate of 14.88%. Sheriff and deputy members and the County both contributed 9.88% of pay for a total rate of 19.76%. Protection occupation members contributed 6.76% of pay and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$368,756.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$1,867,194 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was .047081%, which was a decrease of .005714% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$134,835. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Total - All Groups</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$( 2,125)	\$ --
Changes of assumptions	64,160	--
Net difference between projected and actual earnings on pension plan investments	--	958,644
Changes in proportion and differences between County contributions and proportionate share of contributions	( 44,230)	--
County contributions subsequent to the measurement date	<u>368,756</u>	<u>--</u>
	<u>\$ 386,561</u>	<u>\$ 958,644</u>

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 8 - PENSION PLAN - Continued

The \$368,756, reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$( 235,501)
2017	( 235,501)
2018	( 235,501)
2019	( 235,501)
2020	1,165
	<u>\$( 940,839)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2014)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 8 - PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
County's proportionate share of the net pension liability	\$ 4,062,529	\$ 1,867,194	\$ 15,740

## Shelby County

### Notes to Financial Statements

June 30, 2015

#### NOTE 8 - PENSION PLAN - Continued

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the County reported payables to the defined benefit pension plan of \$8,486 for legally required employer contributions and \$ - 0 - for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

#### NOTE 9 - RISK MANAGEMENT

Shelby County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015 were approximately \$86,300.

Shelby County  
Notes to Financial Statements

June 30, 2015

NOTE 9 - RISK MANAGEMENT - Continued

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with the Shelby County Care Facility and for employee blanket bond, and participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for Workman's Compensation insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The County operates a single-employer health benefit plan which provides medical, prescription drug, dental, and vision benefits for employees, retirees, and their spouses. There are 71 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical, prescription drug, dental, and vision benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the County. The County currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the County and plan members are \$625 for single coverage and \$1,404 for family coverage. For the year ended June 30, 2015, the County contributed \$1,010,072 and plan members eligible for benefits contributed \$65,295 to the plan.

Net OPEB Obligation: Management of the County considers any OPEB obligation, which may exist, to be immaterial. Therefore the County has elected to not obtain an actuarial evaluation of the OPEB liability.

Generally accepted accounting principles, established under GASB Statement No. 45, require that an actuarial or alternative computation of a liability be completed. The independent auditor's report regarding the financial statements has been qualified as a result of not obtaining the required evaluation and not recording any potential material OPEB liability.

NOTE 11 - COMMITMENT AND CONTINGENCY

Construction

The County has entered into contracts totaling approximately \$1,976,000, primarily for bridge replacement and building repairs to be completed during fiscal year 2016. As of June 30, 2015, the County has incurred \$580,580 on these projects. The projects will be financed with existing funds.

Subsequent Events

The County has evaluated all subsequent events through December 29, 2015, the date the financial statements were available to be issued.



Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 12 - EARLY CHILDHOOD IOWA AREA BOARD

Shelby County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the M/H/S Empowerment Agency Fund because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2015 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early Childhood	\$ 33,907	\$ --	\$ 33,907
Family support and parent education	--	169,072	169,072
Preschool support for low-income families	--	74,235	74,235
Quality improvement	--	54,220	54,220
Allocation for administration	1,785	9,737	11,522
Other grant programs	--	17,640	17,640
Total state grants	35,692	324,904	360,596
Interest on investments	20	184	204
Total revenues	35,712	325,088	360,800
Expenditures:			
Program services:			
Early Childhood	34,938	--	34,938
Family support and parent education	--	172,781	172,781
Preschool support for low-income families	--	74,465	74,465
Quality improvement	--	56,136	56,136
Other program services	--	17,811	17,811
Total program services	34,938	321,193	356,131
Administration	2,211	9,326	11,537
Total expenditures	37,149	330,519	367,668
Change in fund balance	( 1,437)	( 5,431)	( 6,868)
Fund balance beginning of year	4,807	48,508	53,315
Fund balance end of year	\$ 3,370	\$ 43,077	\$ 46,447

Shelby County

Notes to Financial Statements

June 30, 2015

NOTE 13 - COUNTY FINANCIAL INFORMATION INCLUDED IN THE SOUTHWEST  
IOWA MENTAL HEALTH AND DISABILITY SERVICES REGION

Southwest Iowa Mental Health and Disability Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Cass, Fremont, Harrison, Mills, Monona, Montgomery, Page, Pottawattamie, and Shelby. The financial activity of Shelby County's Special Revenue, Mental Health Fund is included in the Southwest Iowa Mental Health and Disability Services Region.

Revenues:

Property and other county tax		\$	537,858
Intergovernmental revenues:			
State tax credits	\$	32,756	
Social services block grant		16,847	
State program payment		<u>53,810</u>	103,413
Miscellaneous			<u>4,269</u>
Total revenues			<u>645,540</u>

Expenditures:

Services to persons with:			
Mental illness			1,047
General administration:			
Direct administration		189,304	
Distribution to regional fiscal agent		<u>407,665</u>	<u>596,969</u>
Total expenditures			<u>598,016</u>

Excess of revenues over expenditures		47,524
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Other financing uses:

Operating transfers out	(	<u>170,665</u> )
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Change in fund balance	(	123,141)
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Fund balance beginning of the year		<u>312,623</u>
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Fund balance end of the year	\$	<u>189,482</u>
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Shelby County  
Notes to Financial Statements  
June 30, 2015

NOTE 14 - ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net Position</u>
Net position June 30, 2014, as previously reported	\$ 24,315,906
Net pension liability at June 30, 2014	( 3,031,289)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>358,091</u>
Net position July 1, 2014, as restated	<u>\$ 21,642,708</u>

\* \* \*

## REQUIRED SUPPLEMENTARY INFORMATION

Shelby County

Budgetary Comparison Schedule of Receipts, Disbursements and  
Changes in Balances - Budget and Actual (Cash Basis)

All Governmental Funds  
Required Supplementary Information

Year ended June 30, 2015

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>	<u>Net</u>
Receipts:			
Property and other County tax	\$ 6,316,816	\$ --	\$ 6,316,816
Interest and penalty on property tax	28,467	--	28,467
Intergovernmental	4,400,724	--	4,400,724
Licenses and permits	175,784	--	175,784
Charges for service	361,558	--	361,558
Use of money and property	76,894	--	76,894
Miscellaneous	381,355	--	381,355
Total receipts	<u>11,741,598</u>	<u>--</u>	<u>11,741,598</u>
Disbursements:			
Public safety and legal services	2,584,065	--	2,584,065
Physical health and social services	490,863	--	490,863
Mental health	1,012,608	--	1,012,608
County environment and education	412,070	--	412,070
Roads and transportation	4,849,950	--	4,849,950
Governmental services to residents	411,494	--	411,494
Administration	1,223,597	--	1,223,597
Nonprogram	--	--	--
Debt service	--	--	--
Capital projects	552,805	--	552,805
Total disbursements	<u>11,537,452</u>	<u>--</u>	<u>11,537,452</u>
Excess (deficiency) of receipts over (under) disbursements	204,146	--	204,146
Balance beginning of year	<u>3,821,680</u>	<u>--</u>	<u>3,821,680</u>
Balance end of year	<u>\$ 4,025,826</u>	<u>\$ --</u>	<u>\$ 4,025,826</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 6,309,395	\$ 6,309,395	\$ 7,421
30,000	30,000	( 1,533)
3,946,481	3,946,481	454,243
259,300	259,300	( 83,516)
302,070	302,070	59,488
87,205	87,205	( 10,311)
159,050	159,050	222,305
<u>11,093,501</u>	<u>11,093,501</u>	<u>648,097</u>
2,213,203	2,701,203	117,138
664,982	664,982	174,119
1,103,376	1,503,376	490,768
404,065	437,065	24,995
4,685,300	4,835,300	( 14,650)
446,894	429,194	17,700
1,198,963	1,223,163	( 434)
30,000	--	---
34,000	34,000	34,000
681,551	804,762	251,957
<u>11,462,334</u>	<u>12,633,045</u>	<u>1,095,593</u>
( 368,833)	( 1,539,544)	1,743,690
<u>2,688,027</u>	<u>2,688,027</u>	<u>1,133,653</u>
<u>\$ 2,319,194</u>	<u>\$ 1,148,483</u>	<u>\$ 2,877,343</u>

Shelby County  
 Budgetary Comparison Schedule -Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2015

	Governmental Fund Types		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 11,741,598	\$ ( 34,262)	\$ 11,707,336
Expenditures	<u>11,537,452</u>	<u>( 337,851)</u>	<u>11,199,601</u>
Net	204,146	303,589	507,735
Beginning fund balances	<u>3,821,680</u>	<u>( 222,728)</u>	<u>3,598,952</u>
Ending fund balances	<u>\$ 4,025,826</u>	<u>\$ 80,861</u>	<u>\$ 4,106,687</u>

See accompanying independent auditor's report.

## Shelby County

### Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,170,711. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the administration and roads and transportation functions and disbursements in certain departments exceeded the amounts appropriated.

See accompanying independent auditor's report.



Shelby County  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Last Fiscal Year\*

County's collective proportion of the net pension liability	0.047081%
County's collective proportionate share of the net pension liability	\$ 1,867,000
County's covered-employee payroll	\$ 3,926,000
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	47.55%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30,

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available. Amounts reported are rounded.

See accompanying independent auditor's report.

Shelby County  
Schedule of County Contributions  
Iowa Public Employees' Retirement System  
Last 6 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 369,000	\$ 358,000	\$ 345,000	\$ 313,000
Contributions in relation to the statutorily required contribution	<u>( 369,000)</u>	<u>( 358,000)</u>	<u>( 345,000)</u>	<u>( 313,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
County's covered-employee payroll	\$ 4,040,000	\$ 3,926,000	\$ 3,872,000	\$ 3,732,000
Contributions as a percentage of covered-employee payroll	9.13%	9.12%	8.91%	8.39%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available. Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>
\$ 277,000	\$ 250,000
<u>( 277,000)</u>	<u>( 250,000)</u>
<u>\$ --</u>	<u>\$ --</u>
\$ 3,759,000	\$ 3,624,000
7.37%	6.90%

Shelby County

Notes to Required Supplementary Information - Pension Liability

Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

(continued next page)

Shelby County

Notes to Required Supplementary Information - Pension Liability - Continued

Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

\* \* \*

See accompanying independent auditor's report.

## SUPPLEMENTARY INFORMATION

Shelby County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue			
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation	Resource Enhancement and Protection
<b>Assets</b>				
Cash and pooled investments	\$ 3,822	\$ 826	\$ 22,418	\$ 21,872
Receivables:				
Accounts receivable	--	--	--	--
Property Tax:				
Delinquent	--	--	--	--
Succeeding year	--	--	--	--
Due from other funds	196	--	115	--
Due from other governments	--	--	15,769	--
	<u>4,018</u>	<u>826</u>	<u>38,302</u>	<u>21,872</u>
Total assets	\$ 4,018	\$ 826	\$ 38,302	\$ 21,872
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ --	\$ --	\$ 14,905	\$ --
Salaries and benefits payable	--	--	1,151	--
Due to other funds	--	--	--	--
Due to other governments	--	--	327	--
Compensated absences	--	--	15,306	--
Total liabilities	<u>--</u>	<u>--</u>	<u>31,689</u>	<u>--</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenues:				
Succeeding year property tax	--	--	--	--
Other	--	--	--	--
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Fund balances:</b>				
Restricted for:				
Other purposes	4,018	826	6,613	21,872
Total fund balances	<u>4,018</u>	<u>826</u>	<u>6,613</u>	<u>21,872</u>
Total liabilities and fund balances	\$ 4,018	\$ 826	\$ 38,302	\$ 21,872

(continued next page)

Special Revenue					
<u>Drug Forfeiture</u>	<u>Commissary</u>	<u>Flood and Erosion</u>	<u>Tax Increment Financing</u>	<u>Case Management</u>	<u>Environmental Health</u>
\$ 10,319	\$ 3,705	\$ 28,649	\$ 193,785	\$ 254,499	\$ 56,404
--	935	--	--	--	--
--	--	--	990	--	--
--	--	--	138,000	--	--
--	--	--	--	--	--
--	825	--	--	18,092	--
<u>\$ 10,319</u>	<u>\$ 5,465</u>	<u>\$ 28,649</u>	<u>\$ 332,775</u>	<u>\$ 272,591</u>	<u>\$ 56,404</u>
\$ --	\$ 196	\$ --	\$ --	\$ 2,481	\$ 896
--	--	--	--	8,045	1,397
--	--	--	--	145	221
--	--	--	--	115	--
--	--	--	--	--	--
--	196	--	--	10,786	2,514
--	--	--	138,000	--	--
--	--	--	990	--	--
--	--	--	138,990	--	--
<u>10,319</u>	<u>5,269</u>	<u>28,649</u>	<u>193,785</u>	<u>261,805</u>	<u>53,890</u>
<u>10,319</u>	<u>5,269</u>	<u>28,649</u>	<u>193,785</u>	<u>261,805</u>	<u>53,890</u>
<u>\$ 10,319</u>	<u>\$ 5,465</u>	<u>\$ 28,649</u>	<u>\$ 332,775</u>	<u>\$ 272,591</u>	<u>\$ 56,404</u>



Shelby County  
Combining Balance Sheet - Continued  
Nonmajor Governmental Funds

June 30, 2015

	<u>Total</u>
<b>Assets</b>	
Cash and pooled investments	\$ 596,299
Receivables:	
Accounts receivable	935
Property tax:	
Delinquent	990
Succeeding year	138,000
Due from other funds	311
Due from other governments	<u>34,686</u>
Total assets	<u>\$ 771,221</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 18,478
Salaries and benefits payable	10,593
Due to other funds	366
Due to other governments	442
Compensated absences	<u>15,306</u>
Total liabilities	<u>45,185</u>
Deferred inflows of resources:	
Unavailable revenues:	
Succeeding year property tax	138,000
Other	<u>990</u>
Total deferred inflows of resources	<u>138,990</u>
Fund balances:	
Restricted for:	
Other purposes	<u>587,046</u>
Total fund balances	<u>587,046</u>
Total liabilities and fund balances	<u>\$ 771,221</u>

See accompanying independent auditor's report.

Shelby County  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue		
	County Recorder's Records Management	Recorder's Electronic Transaction Fee	Conservation
Revenues:			
Property and other County tax	\$ --	\$ --	\$ --
Intergovernmental	--	--	30,835
Licenses and permits	--	--	--
Charges for service	2,256	--	38,078
Use of money and property	2	3	--
Miscellaneous	--	--	2,562
Total revenues	<u>2,258</u>	<u>3</u>	<u>71,475</u>
Expenditures:			
Operating:			
Public safety and legal services	--	--	--
Physical health and social services	--	--	--
Mental health	--	--	--
County environment and education	--	--	231,115
Administration	--	--	--
Total expenditures	<u>--</u>	<u>--</u>	<u>231,115</u>
Excess (deficiency) of revenues over (under) expenditures	2,258	3	( 159,640)
Other financing sources (uses):			
Operating transfers in	--	--	180,000
Operating transfers out	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>180,000</u>
Change in fund balances	2,258	3	20,360
Fund balances beginning of year	<u>1,760</u>	<u>823</u>	<u>( 13,747)</u>
Fund balances end of year	<u>\$ 4,018</u>	<u>\$ 826</u>	<u>\$ 6,613</u>

(continued next page)

Special Revenue					
Resource Enhancement and Protection	Drug Forfeiture	Commissary	Flood and Erosion	Tax Increment Financing	Case Management
\$ --	\$ --	\$ --	\$ --	\$ 30,793	\$ --
17,552	--	--	--	--	436,118
--	--	--	--	--	--
--	--	--	--	--	--
5	8	--	--	--	--
--	1,391	13,232	--	--	7,630
<u>17,557</u>	<u>1,399</u>	<u>13,232</u>	<u>--</u>	<u>30,793</u>	<u>443,748</u>
--	1,069	10,006	--	--	--
--	--	--	--	--	--
--	--	--	--	--	376,196
19,388	--	--	1,757	--	--
--	--	--	--	6,767	--
<u>19,388</u>	<u>1,069</u>	<u>10,006</u>	<u>1,757</u>	<u>6,767</u>	<u>376,196</u>
( 1,831)	330	3,226	( 1,757)	24,026	67,552
--	--	--	--	199,900	170,665
--	--	--	--	( 183,585)	--
--	--	--	--	16,315	170,665
( 1,831)	330	3,226	( 1,757)	40,341	238,217
<u>23,703</u>	<u>9,989</u>	<u>2,043</u>	<u>30,406</u>	<u>153,444</u>	<u>23,588</u>
<u>\$ 21,872</u>	<u>\$ 10,319</u>	<u>\$ 5,269</u>	<u>\$ 28,649</u>	<u>\$ 193,785</u>	<u>\$ 261,805</u>

## Shelby County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Continued  
Nonmajor Governmental Funds

Year ended June 30, 2015

	Environmental Health	Total
Revenues:		
Property and other County tax	\$ --	\$ 30,793
Intergovernmental	19,048	503,553
Licenses and permits	165,011	165,011
Charges for service	21,464	61,798
Use of money and property	--	18
Miscellaneous	22,797	47,612
Total revenues	<u>228,320</u>	<u>808,785</u>
Expenditures:		
Operating:		
Public safety and legal services	--	11,075
Physical health and social services	225,882	225,882
Mental health	--	376,196
County environment and education	--	252,260
Administration	--	6,767
Total expenditures	<u>225,882</u>	<u>872,180</u>
Excess (deficiency) of revenues over (under) expenditures	2,438	( 63,395)
Other financing sources (uses):		
Operating transfers in	25,000	575,565
Operating transfers out	( 8,051)	( 191,636)
Total other financing sources (uses)	<u>16,949</u>	<u>383,929</u>
Change in fund balances	19,387	320,534
Fund balances beginning of year	<u>34,503</u>	<u>266,512</u>
Fund balances end of year	<u>\$ 53,890</u>	<u>\$ 587,046</u>

See accompanying independent auditor's report.

Shelby County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2015

	<u>County Offices</u>		<u>Agricultural Extension Education</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ --	\$ --	\$ 1,814
Other County officials	22,836	21,641	--
Receivables:			
Property tax:			
Delinquent	--	--	43
Succeeding year	--	--	142,000
Accounts	1,034	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
Total assets	<u>\$ 23,870</u>	<u>\$ 21,641</u>	<u>\$ 143,857</u>
<b>Liabilities</b>			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	15,944	11,231	--
Due to other governments	7,926	524	143,857
Trusts payable	--	9,886	--
Compensated absences	--	--	--
Total liabilities	<u>\$ 23,870</u>	<u>\$ 21,641</u>	<u>\$ 143,857</u>

(continued next page)

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 448,684	\$ 357,040	\$ 17,299	\$ 111,866	\$ 11,108	\$ 50,820
--	--	--	--	--	--
51	--	--	2,330	258	--
235,000	--	--	8,617,000	852,000	4,354,000
--	--	--	--	--	--
--	--	--	--	--	--
--	60,628	--	--	--	--
--	--	12,530	--	--	--
<u>\$ 683,735</u>	<u>\$ 417,668</u>	<u>\$ 29,829</u>	<u>\$8,731,196</u>	<u>\$ 863,366</u>	<u>\$ 4,404,820</u>
\$ 2,028	\$ 5,421	\$ 22,916	\$ --	\$ --	\$ --
--	12,576	4,285	--	--	--
--	154	--	--	--	--
680,767	297,970	--	8,731,196	863,366	4,404,820
--	--	--	--	--	--
940	101,547	2,628	--	--	--
<u>\$ 683,735</u>	<u>\$ 417,668</u>	<u>\$ 29,829</u>	<u>\$8,731,196</u>	<u>\$ 863,366</u>	<u>\$ 4,404,820</u>

Shelby County

Combining Schedule of Fiduciary Assets and Liabilities - Continued  
Agency Funds

June 30, 2015

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 4,450	\$ 332,811	\$ 32
Other County officials	--	--	--
Receivables:			
Property tax:			
Delinquent	2,094	--	--
Succeeding year	363,000	--	2,000
Accounts	--	--	--
Special assessments	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	--
	<u>\$ 369,544</u>	<u>\$ 332,811</u>	<u>\$ 2,032</u>
<b>Liabilities</b>			
Accounts payable	\$ --	\$ --	\$ --
Salaries and benefits payable	--	--	--
Due to other funds	--	--	--
Due to other governments	369,544	332,811	2,032
Trusts payable	--	--	--
Compensated absences	--	--	--
	<u>\$ 369,544</u>	<u>\$ 332,811</u>	<u>\$ 2,032</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>E911</u>	<u>Advance Tax</u>
\$ --	\$ 2,225	\$ 11,280	\$ 90,927	\$ 249,405	\$ 60,560
--	--	--	--	--	--
--	--	265	--	--	--
--	--	871,000	--	--	--
--	--	--	--	--	--
--	32,750	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 34,975</u>	<u>\$ 882,545</u>	<u>\$ 90,927</u>	<u>\$ 249,405</u>	<u>\$ 60,560</u>
\$ --	\$ --	\$ --	\$ 11,190	\$ 3,553	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	34,975	882,545	79,737	245,852	60,560
--	--	--	--	--	--
--	--	--	--	--	--
<u>\$ --</u>	<u>\$ 34,975</u>	<u>\$ 882,545</u>	<u>\$ 90,927</u>	<u>\$ 249,405</u>	<u>\$ 60,560</u>



Shelby County  
Combining Schedule of Fiduciary Assets and Liabilities - Continued  
Agency Funds

June 30, 2015

	<u>Tax Sale</u>	<u>Recorder's Electronic Transfer Fee</u>
<b>Assets</b>		
Cash and pooled investments:		
County Treasurer	\$       --	\$       772
Other County officials	--	--
Receivables:		
Property tax:		
Delinquent	--	--
Succeeding year	--	--
Accounts	--	--
Special assessments	--	--
Due from other funds	--	196
Due from other governments	--	--
	<u>          </u>	<u>          </u>
Total assets	<u>\$       --</u>	<u>\$       968</u>
<b>Liabilities</b>		
Accounts payable	\$       --	\$       --
Salaries and benefits payable	--	--
Due to other funds	--	--
Due to other governments	--	968
Trusts payable	--	--
Compensated absences	--	--
	<u>          </u>	<u>          </u>
Total liabilities	<u>\$       --</u>	<u>\$       968</u>

See accompanying independent auditor's report.

<u>Hotel/Motel Tax</u>	<u>Total</u>
\$ 68,242	\$ 1,819,335
--	44,477
--	5,041
--	15,436,000
2,415	3,449
--	32,750
--	60,824
--	12,530
<u>\$ 70,657</u>	<u>\$ 17,414,406</u>
\$ --	\$ 45,108
--	16,861
--	27,329
70,657	17,210,107
--	9,886
--	105,115
<u>\$ 70,657</u>	<u>\$ 17,414,406</u>

Shelby County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2015

Assets and Liabilities	County Offices		Agricultural Extension Education
	County Recorder	County Sheriff	
Balances beginning of year	\$ 31,396	\$ 19,120	\$ 144,218
Additions:			
Property and other County tax	--	--	136,700
E911 surcharge	--	--	--
State tax credits	--	--	9,248
Office fees and collections	209,746	44,834	--
Auto licenses, use tax and postage	--	--	--
Assessments	--	--	--
Trusts	--	198,208	--
Miscellaneous	--	--	--
Total additions	<u>209,746</u>	<u>243,042</u>	<u>145,948</u>
Deductions:			
Agency Remittances:			
To other funds	80,202	--	--
To other governments	137,070	11,976	146,309
Trusts paid out	--	228,545	--
Total deductions	<u>217,272</u>	<u>240,521</u>	<u>146,309</u>
Balances end of year	\$ <u>23,870</u>	\$ <u>21,641</u>	\$ <u>143,857</u>

(continued next page)

<u>County Assessor</u>	<u>Emergency Management Services</u>	<u>Sanitary Disposal District</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 562,027	\$ 400,852	\$ 89,097	\$ 8,749,572	\$ 864,597	\$ 4,340,586
227,983	--	--	8,334,003	833,534	3,878,409
--	--	--	--	--	--
11,160	--	--	566,742	56,645	364,238
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
3,065	868,345	743,142	--	--	--
<u>242,208</u>	<u>868,345</u>	<u>743,142</u>	<u>8,900,745</u>	<u>890,179</u>	<u>4,242,647</u>
--	--	--	--	--	--
120,500	851,529	802,410	8,919,121	891,410	4,178,413
--	--	--	--	--	--
<u>120,500</u>	<u>851,529</u>	<u>802,410</u>	<u>8,919,121</u>	<u>891,410</u>	<u>4,178,413</u>
\$ 683,735	\$ 417,668	\$ 29,829	\$ 8,731,196	\$ 863,366	\$ 4,404,820

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued  
Agency Funds

Year ended June 30, 2015

	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets and Liabilities			
Balances beginning of year	\$ 351,361	\$ 344,159	\$ 2,032
Additions:			
Property and other County tax	355,006	--	2,378
E911 surcharge	--	--	--
State tax credits	17,837	--	161
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	4,373,109	--
Assessments	--	--	--
Trusts	--	--	--
Miscellaneous	--	--	--
Total additions	<u>372,843</u>	<u>4,373,109</u>	<u>2,539</u>
Deductions:			
Agency Remittances:			
To other funds	--	153,865	--
To other governments	354,660	4,230,592	2,539
Trusts paid out	--	--	--
Total deductions	<u>354,660</u>	<u>4,384,457</u>	<u>2,539</u>
Balances end of year	\$ <u>369,544</u>	\$ <u>332,811</u>	\$ <u>2,032</u>

(continued next page)

<u>Monies and Credits</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>M/H/S Empowerment</u>	<u>E911</u>	<u>Advance Tax</u>
<u>\$ --</u>	<u>\$ 7,866</u>	<u>\$ 895,608</u>	<u>\$ 128,160</u>	<u>\$ 305,909</u>	<u>\$ 79,395</u>
--	--	837,294	--	--	46,874
--	--	--	--	178,914	--
--	--	57,521	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	46,219	--	--	--	--
--	--	--	--	--	--
893	--	--	361,500	--	--
<u>893</u>	<u>46,219</u>	<u>894,815</u>	<u>361,500</u>	<u>178,914</u>	<u>46,874</u>
--	--	--	--	--	--
893	19,110	907,878	398,733	235,418	65,709
--	--	--	--	--	--
<u>893</u>	<u>19,110</u>	<u>907,878</u>	<u>398,733</u>	<u>235,418</u>	<u>65,709</u>
<u>\$ --</u>	<u>\$ 34,975</u>	<u>\$ 882,545</u>	<u>\$ 90,927</u>	<u>\$ 249,405</u>	<u>\$ 60,560</u>

Shelby County

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued  
Agency Funds

Year ended June 30, 2015

	<u>Tax Sale</u>	<u>Recorder's Electronic Transfer Fee</u>
Assets and Liabilities		
Balances beginning of year	\$ <u>          --          </u>	\$ <u>          964          </u>
Additions:		
Property and other County tax	120,688	--
E911 surcharge	--	--
State tax credits	--	--
Office fees and collections	--	7,628
Auto licenses, use tax and postage	--	--
Assessments	--	--
Trusts	--	--
Miscellaneous	<u>          --          </u>	<u>          --          </u>
Total additions	<u>120,688</u>	<u>7,628</u>
Deductions:		
Agency Remittances:		
To other funds	--	--
To other governments	120,688	7,624
Trusts paid out	<u>          --          </u>	<u>          --          </u>
Total deductions	<u>120,688</u>	<u>7,624</u>
Balances end of year	\$ <u>          --          </u>	\$ <u>          968          </u>

See accompanying independent auditor's report.

<u>Hotel/Motel Tax</u>	<u>Total</u>
\$ <u>83,092</u>	\$ <u>17,400,011</u>
53,351	14,826,220
--	178,914
--	1,083,552
--	262,208
--	4,373,109
--	46,219
--	198,208
16	1,976,961
<u>53,367</u>	<u>22,945,391</u>
12,411	246,478
53,391	22,455,973
--	228,545
<u>65,802</u>	<u>22,930,996</u>
\$ <u>70,657</u>	\$ <u>17,414,406</u>



Shelby County

Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Fund Types

For the Last Ten Years

	Modified Accrual Basis			
	2015	2014	2013	2012
Revenues:				
Property and other				
County tax	\$ 6,251,376	\$ 6,226,025	\$ 6,018,898	\$ 5,497,892
Tax increment financing	30,793	153,444	163,392	170,546
Interest and penalty on				
property tax	28,463	33,500	32,714	33,573
Intergovernmental	4,416,581	4,364,656	4,252,778	5,254,445
Licenses and permits	172,207	239,354	242,254	242,540
Charges for service	365,174	358,102	342,226	380,921
Use of money and				
property	79,508	90,264	101,166	99,918
Miscellaneous	363,234	285,037	270,345	263,017
Total	<u>\$ 11,707,336</u>	<u>\$ 11,750,382</u>	<u>\$ 11,423,773</u>	<u>\$ 11,942,852</u>
Expenditures:				
Operating:				
Public safety and				
legal services	\$ 2,271,208	\$ 2,149,071	\$ 1,741,777	\$ 1,907,682
Physical health and				
social services	469,750	635,697	549,195	620,882
Mental health	974,212	1,467,374	1,413,578	2,669,056
County environment				
and education	423,493	414,598	446,524	547,057
Roads and transportation	4,957,777	4,835,398	4,530,985	4,593,683
Governmental services				
to residents	410,031	435,007	387,162	424,453
Administration	1,264,584	1,068,644	1,136,782	1,048,413
Non-program	--	--	--	--
Debt service	--	--	735,750	130,989
Capital projects	428,546	692,430	644,998	854,740
Total	<u>\$ 11,199,601</u>	<u>\$ 11,698,219</u>	<u>\$ 11,586,751</u>	<u>\$ 12,796,955</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
\$ 5,215,187	\$ 5,191,493	\$ 5,297,292	\$ 4,737,413	\$ 4,766,609	\$ 4,818,830
207,367	399,815	335,158	183,245	183,245	104,412
36,535	33,851	33,076	28,403	28,459	27,516
5,706,279	5,551,934	5,184,318	5,225,590	4,410,119	4,295,795
228,293	234,838	233,589	214,120	177,386	175,258
369,928	381,407	340,943	313,916	337,799	451,336
126,998	133,249	186,901	328,668	273,406	263,287
<u>258,350</u>	<u>184,560</u>	<u>196,293</u>	<u>287,209</u>	<u>275,494</u>	<u>278,586</u>
<u>\$ 12,148,937</u>	<u>\$ 12,111,147</u>	<u>\$ 11,807,570</u>	<u>\$ 11,318,564</u>	<u>\$ 10,452,517</u>	<u>\$ 10,415,020</u>
\$ 1,803,117	\$ 1,791,313	\$ 1,717,065	\$ 1,704,440	\$ 1,630,894	\$ 1,524,392
525,054	461,919	639,560	368,441	357,941	355,800
2,581,235	2,104,122	2,236,326	2,446,599	2,160,238	2,078,486
449,106	430,653	426,924	444,997	357,578	316,362
4,368,341	4,651,541	3,895,860	4,679,611	4,355,212	4,079,612
393,236	404,185	399,957	398,242	350,805	362,108
1,039,502	1,010,335	1,012,706	1,004,741	919,344	1,010,105
--	--	--	21,259	27,667	126,899
132,059	391,875	326,818	228,445	221,123	59,481
<u>1,240,684</u>	<u>1,376,142</u>	<u>1,266,974</u>	<u>368,616</u>	<u>343,285</u>	<u>892,627</u>
<u>\$ 12,532,334</u>	<u>\$ 12,622,085</u>	<u>\$ 11,922,190</u>	<u>\$ 11,665,391</u>	<u>\$ 10,724,087</u>	<u>\$ 10,805,872</u>

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Officials of Shelby County

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shelby County, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 29, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelby County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelby County's internal control. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Officials of Shelby County

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Responses to Findings

Shelby County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Shelby County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gregory B. Bell, CPA & Co. P.C.*

Atlantic, Iowa  
December 29, 2015

Shelby County  
Schedule of Findings and Responses  
Year ended June 30, 2015

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Shelby County

Schedule of Findings and Responses - Continued

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting

- 15-II-A     Certified Budget: Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the administration and roads and transportation functions. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation: The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: We will amend the budget when required in the future.

Conclusion: Response accepted.

- 15-II-B     Questionable Expenditures: No expenditures were noted that meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 15-II-C     Travel Expense: No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- 15-II-D     Business Transactions: No business transactions between the County and County officials were noted.

- 15-II-E     Bond Coverage: Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

- 15-II-F     Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

- 15-II-G     Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- 15-II-H     Resource Enhancement and Protection Certification: The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- 15-II-I     County Extension Office: The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.

Shelby County

Schedule of Findings and Responses - Continued

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting - Continued

15-II-J      Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

15-II-K      Financial Condition: The County has a deficit in unrestricted net position of \$1,374,198 at June 30, 2015 as a result of recording its share of the IPERS net unfunded pension liability.

Recommendation: The County management should remain aware of this deficit, and its cause, and comply with IPERS plan to reduce the deficit over a period of years.

Response: The deficit was the result of recognizing the County's proportionate share of IPERS net pension liability. The County realizes this liability is not due and payable immediately. Rather the pension liability will be paid down over a period of time with the County's future employer share of IPERS contributions.

Conclusion: Response accepted.

15-II-L      Early Childhood Iowa Area Board: Shelby County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the M/H/S Empowerment Agency Fund because of the County's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

\* \* \*